

# Chapter 1

## Introductory Comments by the Auditor General

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# Introductory Comments by the Auditor General

## Introduction

**1.1** My Office's mission, as included in our 2014 to 2020 strategic plan is:

*To provide objective, reliable, and timely information to the Legislative Assembly on government's performance in its delivery of programs and services to the people of New Brunswick.*

## Service New Brunswick Residential Property Tax Assessment

**1.2** Every year New Brunswick property owners are required to pay tax on the value of their New Brunswick real properties. The total value of New Brunswick real properties is over \$60 billion and the revenue from tax generated from these properties for municipalities and the Province is over \$1 billion.

## *2017 Property tax failure caused erosion of public confidence*

**1.3** In 2017, many significant failures in the New Brunswick property tax assessment system occurred. These failures caused financial hardship for many New Brunswick citizens and caused significant erosion of public confidence in the Province's property tax assessment systems and processes.

**1.4** Chapter 2 of this Volume details the special examination we performed on the Service New Brunswick Residential Property Tax Assessment pursuant to a request received under subsection 12 (1) of the *Auditor General Act* from the Lieutenant Governor in Council. Chapter 2 also includes recommendations:

- to address deficiencies we identified in our work; and
- to assist in restoring public confidence in New Brunswick's property tax systems and processes.

***SNB undergoing major change when property tax failure occurred***

**1.5** It is important to note leading up to the residential property tax failures New Brunswickers experienced, Service New Brunswick (SNB) was undergoing many challenging and unique structural changes. A multitude of challenges were evident given:

- newly created amalgamated organization effective October 1 2015 resulting in a major reorganization of four organizations into one (NBISA, FacilicorpNB, former SNB and portions of the former Department of Government Services).
- significant leadership and management changes occurred including five different Chief Executive Officers over the three year period (September 2013 to September 2016)
- consolidation of middle and senior management positions and frequent reassignment of several key business functions.
- reorganization of certain GNB common services from line departments to SNB; and
- a completely new board of directors that was just starting to understand the risks and challenges facing the complex new organization with multiple lines of business.

***SNB should have anticipated the risks associated with a highly scrutinized activity like property tax assessment***

**1.6** Service New Brunswick's challenging and unique circumstances do not represent an excuse for failing to recognize the sensitive nature of tax-related activities. Service New Brunswick should have anticipated the reputational risks associated with property tax assessment, an activity that is subject to a high level of public scrutiny. It is evident that SNB's reputation has been severely damaged as a result of the issues surrounding the 2017 property tax bill.

***Cultural and human resource impact of the recent failures will take time and require effective leadership***

**1.7** Internally, the cultural and human resource impact of the failed property assessment modernization program should not be taken lightly. Internal conflict and mistrust between employee groups at all levels are adding to the workplace culture and employee engagement issues already present at SNB. Overcoming these issues takes time and requires effective leadership and coherent communication from executive and senior management.

***Creating another agency will not resolve property tax issues***

**1.8** As well, I believe creating an independent agency is not the most pressing issue facing SNB. SNB needs to stabilize its organizational structure and address any remaining post-merger integration problems so it can focus on the delivery of its key functions. Furthermore, the complexities of separating the property assessment function from the rest of SNB business should not be underestimated. Existing synergies from common systems, human resources and back-office functions should also be considered. More importantly, existing operational synergies between the Property Assessment function and interrelated SNB lines of business such as the land registry function and the Land Information Infrastructure Secretariat would be lost.

***Recommendation to separate Property Assessment function and move administration of tax policy changes to Department of Finance***

**1.9** Among the twenty-five recommendations in this report there are two of particular note. They include that of the Department of Finance assuming responsibility for the administration of all property tax policy changes as well as physical separation of annual property assessment notices from the annual property tax bills. Implementation of these recommendations will provide clarity to the long standing confusion with respect to roles and responsibility and also allow SNB's Property Assessment Services to focus on their legislated responsibility to determine the real and true value of properties.

***SNB striving for innovative and entrepreneurial reputation***

**1.10** I am pleased to note the response to our recommendations as contained in Chapter 2 indicating the SNB Board and Executive management, Department of Finance and Executive Council Office will move quickly to address the recommendations in this report. I believe these changes will eventually help the organization reach the innovative and entrepreneurial reputation it was striving for.

**1.11** In compliance with the OIC and in accordance with section 12(1) of the *Auditor General's Act*, my Office acquired the services of two external experts to complete this examination along with my internal staff. The cost of this work will be made public in a future report after it has been discussed with and recovered from the Executive Council Office.

***AGNB delivery of  
other OIC  
requirements for this  
special examination  
on Residential  
Property Tax  
Assessment***

**1.12** In accordance with the request of the Lieutenant-Governor in Council of New Brunswick (OIC 2017-139), AGNB communicated our preliminary observations to the Executive Council Office on September 14, 2017. These findings were first discussed with Service New Brunswick on September 1, 2017.

**Acknowledgements**

**1.13** I would like to express my appreciation for the high level of cooperation of SNB throughout our work on this special examination. From AGNB's perspective, it is evident all levels of the organization involved in Property Assessment Services, from the SNB Board of Directors, CEO, Executive Director, Directors and the Assessors want to bring resolution to the problems within their organization and restore public confidence in the integrity of Property Assessment Services. The Executive Council Office was also very cooperative throughout our work.

**1.14** In addition, former Judge Robertson should be acknowledged for his involvement and early work on the file. Mr. Robertson was very cooperative on the transition of the special examination from his office to AGNB. His accumulation of documents, working papers and preliminary findings were vital in allowing my office to identify the key risks and gain the momentum necessary to deliver this report in the timelines stated in the OIC.

**1.15** Staff in my Office worked very hard in carrying out the work reported in this volume of our Report. This report is a reflection of their level of commitment, professionalism and diligence. I would like to express my appreciation to each for their contribution and continuing dedication to fulfilling the mandate of the Auditor General of New Brunswick.



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